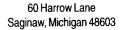
AUDITI	NG PRO	OC	EDURES REPORT amended. Filing is mandatory.	•					
Local Gov	vernment Ty		o <b>∑</b> Village ☐ Other	Local Governm	nent Name 406 OF	MILL	INO to N	County Fu.	SCOLA
Audit Dat			Opinion Date	-04	Date Accountar	t Report Sub	omitted to State:		
We have prepared Reporting Departm	e audited in according Forma nent of Tre	the rdan t for easu	financial statements of nce with the Statement or Financial Statements	this local uns of the Gove for Counties	ernmental Ac s and Local	ent and recounting the second terms of the sec	endered and of other of the control	pade (GASB)	by the Michigan
		-	oublic accountants regis						
We furth	ner affirm ort of com	the men	following. "Yes" respor its and recommendation	nses have bee	en disclosed i	n the finar	ncial stateme	nts, includin	g the notes, or in
You mus	st check th		pplicable box for each						
yes	no	1.	Certain component un	its/funds/age	ncies of the l	ocal unit a	re excluded f	rom the fina	ncial statements.
yes	no	2.	There are accumulat earnings (P.A. 275 of		one or mo	re of this	unit's unres	erved fund	balances/retained
yes	no	3.	There are instances (1968, as amended).	of non-compl	iance with th	e Uniform	Accounting	and Budget	ting Act (P.A. 2 o
yes	no	4.	The local unit has vio or its requirements, or	lated the con an order issi	nditions of eitluded under the	ner an ord Emerger	ler issued un ncy Municipal	der the Mur Loan Act.	nicipal Finance Ac
yes	no	5.	The local unit holds of 1943, as amended	leposits/inves [MCL 129.91	tments which ], or P.A. 55 o	do not co of 1982, as	omply with st s amended [N	atutory requ ICL 38.113	iirements. (P.A. 20 2]).
yes	U no	6.	The local unit has been unit.	en delinquent	in distributing	g tax reve	nues that we	re collected	for another taxing
ges	no	7.	The local unit has vio earned pension benef the overfunding credi during the year).	fits (normal co	osts) in the cu	ırrent yeai	: If the plan i	s more than	i 100% funded and
yes	no no	8.	The local unit uses cr 1995 (MCL 129.241).	edit cards an	d has not ad	opted an a	applicable po	licy as requ	ired by P.A. 266 c
ges	₩ no	9.	The local unit has not	adopted an i	nvestment po	olicy as red	quired by P.A	. 196 of 199	7 (MCL 129.95).
We ha	ve enclo	sec	I the following:				Enclosed	To Be Forwarded	Not Required
The lett	er of com	mer	nts and recommendatio	ns.	Pa 3	7	<b>火</b>		
Reports	on indivi	dua	I federal financial assis	tance prograi	ms (program	audits).			X
Single /	Audit Rep	orts	(ASLGU).						X
Certified Public Accountant (Firm Name) BEATHIAUME & CO									
Certified Public Accountant (Firm Name) BERTHIAUME & CO  Street Address 60 HARROW LANE  City SACINAL State   ZIP 48603  Accountant Signature									
Accoun	tant Signat	ure	the much	a.Bu	uhran	ni			

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(989) 791-1555 Fax (989) 791-1992



## INDEPENDENT AUDITORS' REPORT

To the Village Council Village of Millington Tuscola County, Michigan

We have audited the accompanying general purpose financial statements of the Village of Millington, as of and for the year ended February 29, 2004, as listed in the table of contents. These financial statements are the responsibility of the management of the Village of Millington. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with accounting principles generally accepted in the United States of America.

In our opinion, except for the omission of the general fixed assets group of accounts, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Millington at February 29, 2004, and the results of its operations and changes in financial position of its proprietary fund types and similar trust fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Governmental Auditing Standards, we have also issued a report, dated April 20, 2004, on our consideration of the Village of Millington's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying combining and individual fund financial statements, other financial information and historical pension information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Village of Millington. The information in these schedules has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

April 20, 2004

Berthioune & 6.

## ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNIT

## **COMBINED BALANCE SHEET**

February 29, 2004

	GOVERNMENTAL FUND TYPES					
		General		Special Revenue	Capita Projec	
ASSETS: Cash and equivalents Taxes receivable Accounts receivable Due from other governmental units Due from primary government Due from other funds Inventory Restricted assets—cash & equivalents Property, plant, and equipment, net	\$	\$ 141,110 \$ - - 21,449 - 1,000		421,898 - 3,997 20,990 - - -	\$ - - - - - - -	
Total assets	\$	163,559	\$	446,885	\$	-
LIABILITIES & FUND EQUITY:  Liabilities: Accounts payable Accrued expense Due to component unit Due to other funds Revenue bonds payable Installment purchase contract payable Total liabilities	\$	6,257 588 12,167 - - 19,012	\$	3,788 - - - - - 3,788	\$	- - - - -
Fund Equity: Contributed capital Retained Earnings: Reserved Unreserved - Undesignated Fund Balances: Unreserved - Undesignated Total fund equity		- - 144,547 144,547		- - 443,097 443,097		-
Total liabilities & fund equity	\$	163,559	\$	446,885	\$	-

PROPRIETARY FUND TYPES Internal		<u>ES</u>	<u>GO</u>	PRIMARY <u>VERNMENT</u> Totals Jemorandum	D	MPONENT <u>UNIT</u> owntown velopment		EPORTING ENTITY Totals	
	Enterprise		Service	(171	Only)		uthority	(111611	Only)
_	<b></b>								
\$	175,929	\$	22,317	\$	761,254	\$	28,400	\$	789,654
	-		-		-		8,168		8,168
	18,801		-		22,798		-		22,798
	-		-		42,439		-		42,439
	-		-		-		12,167		12,167
	-		-		1,000	,	-		1,000
	13,040		-		13,040		-		13,040
	82,760		-		82,760		-		82,760
	2,030,934		183,500		2,214,434		-		2,214,434
\$	2,321,464	\$	205,817	\$	3,137,725	\$	48,735	\$	3,186,460
						٠			
\$	11,082	\$	518	\$	21,645	\$	-	\$	21,645
	31,865		-		32,453		-		32,453
			-		12,167		-		12,167
	1,000		-		1,000				1,000
	1,280,000		-		1,280,000		_		1,280,000
	-		49,500		49,500		-		49,500
	1,323,947		50,018		1,396,765		-		1,396,765
	465,497		-		465,497		-		465,497
	82,760		-		82,760		-		82,760
	449,260		155,799		605,059		•		605,059
	-		-		587,644		48,735		636,379
	997,517		155,799		1,740,960		48,735		1,789,695
\$	2,321,464	\$	205,817	\$ :	3,137,725	\$	48,735	\$	3,186,460

## ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT

## COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

	GOVERNMENTAL FUND TYPES					S
		General	Special Revenue		Capital Projects	
REVENUES:		General		Kevenue		ojecis
Property taxes	\$	214,073	\$	45,296	\$	-
Intergovernmental:	Ψ	211,072	•	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	-	
State grants		129,787		88,399		-
Contributions from local units		2,060		25,134		-
Charges for services		208,062		64,226		-
Fines and forfeitures		144		-		-
Interest and rentals		1,618		3,094		-
Other revenue		8,632		-		<del></del>
Total revenues		564,376		226,149		-
EXPENDITURES:						
General government		146,066		-		-
Public safety		122,773		-		-
Public works		242,750		157,121		539
Community and economic development		-		-		-
Recreation and culture		4,625		-		-
Capital outlay		413				
Total expenditures		516,627		157,121		539
Excess of revenues over (under) expenditures		47,749		69,028	········	(539)
OTHER FINANCING SOURCES (USES):						
Transfers to other funds		(5,000)		(29,955)		_
Total other financing sources (uses)		(5,000)		(29,955)		-
Excess of revenues and other financing sources over (under) expenditures and		42,749		39,073		(539)
other financing uses		ŕ		ŕ		
Fund balances, beginning of year - restated		101,798		404,024		539
Fund balances, end of year	\$	144,547	\$	443,097	\$	

<u>G(</u>	PRIMARY OVERNMENT Totals Temorandum)	<u>NMENT</u> <u>UNIT</u> S Downtown			ORTING <u>NTITY</u> Cotals corandum
(111	Only)		uthority		Only)
\$	259,369	\$	20,335	\$	279,704
	218,186		-		218,186
	27,194		-		27,194
	272,288		-		272,288
	144		-		144
	4,712		2		4,714
	8,632		5,253		13,885
	790,525		25,590		816,115
	146,066		_		146,066
	122,773		-		122,773
	400,410		_		400,410
	_		14,270		14,270
	4,625		, -		4,625
	413		-		413
	674,287		14,270		688,557
	116,238		11,320		127,558
	(24 055)		_		(34,955)
	(34,955)				
	(34,955)				(34,955)
	81,283		11,320		92,603
	506,361		37,415		543,776
\$	587,644	\$	48,735	\$	636,379

## GENERAL AND SPECIAL REVENUE FUNDS

## COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL

	(	<i>EN</i>	ERAL FU	ND			SPECIA	L P	REVENUE	<u>FUNDS</u>
	Budget		Actual	F	'ariance avorable Ifavorable,	1	Budget		Actual (Ur	Variance Favorable ifavorable)
REVENUES:				1	<u> </u>					<del>*************************************</del>
Taxes	\$ 226,367	\$	214,073	\$	(12,294)	\$	45,296	\$	45,296	\$ -
Licenses and permits	10		-		(10)		-		-	-
Intergovernmental:										
State grants	131,300		129,787		(1,513)		87,000		88,399	1,399
Contributions from local units	7,200		2,060		(5,140)		25,158		25,134	(24)
Charges for services	211,950		208,062		(3,888)		63,980		64,226	246
Fines and forfeitures	300		144		(156)		4 400		2.004	(1.206)
Interest and rentals	1,700		1,618		(82) 787		4,400 50		3,094	(1,306) (50)
Other revenue	7,845		8,632							
Total revenues	586,672		564,376		(22,296)		225,884		226,149	265
EXPENDITURES:										
General government	176,211		146,066		30,145		-		-	-
Public safety	163,567		122,773		40,794		-		-	-
Public works	292,322		242,750		49,572		274,717		157,121	117,596
Recreation and culture	4,625		4,625		-		-		-	-
Capital outlay	413		413		-		-			
Total expenditures	637,138		516,627		120,511		274,717		157,121	117,596
Excess of revenues over (under)										
expenditures	(50,466	)	47,749		98,215		(48,833)		69,028	117,861
OTHER FINANCING SOURCES (USES):										
Transfers to other funds	(5,000	)	(5,000)	)	-		(29,955)		(29,955)	-
Total other financing sources (uses)	(5,000	)	(5,000)	)	-		(29,955)		(29,955)	-
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(55,466	)	42,749		98,215		(78,788)		39,073	117,861
Fund balances, beginning of year-restated	101,798		101,798				404,024		404,024	•
Fund balances, end of year	\$ 46,332	\$	144,547	\$	98,215	\$	325,236	\$	443,097	\$ 117,861

## ALL PROPRIETARY FUND TYPES

## COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

For the Year Ended February 29, 2004

	<u>PR</u>	OPRIETAR:	Y FUN	ID TYPES	Totals	
	_		_	Internal	(Mem	orandum
	<u></u>	nterprise		Service		Only)
OPERATING REVENUES:						
Charges for services	\$	277,750	\$	47,389	\$	325,139
Other		1,439		5,670		7,109
Total operating revenues		279,189		53,059		332,248
OPERATING EXPENSES:						
Personnel		93,650		2,724		96,374
Fringe benefits		36,225		1,363		37,588
Supplies		24,737		3,074		27,811
Contracted and professional services		32,611		118		32,729
Telephone		120		-		120
Mileage/auto		300		68		368
Dues and memberships		175		-		175
Education and training		853		-		853
Printing and publications		766		-		766
Repair and maintenance		11		6,358		6,369
Insurance		9,609		980		10,589
Utilities		10,780		-		10,780
Equipment rental		19,841		-		19,841
Other expenses		408		351		759
Depreciation		45,918		32,806		78,724
Total operating expenses	<del></del>	276,004		47,842		323,846
Operating income (loss)		3,185		5,217		8,402
NON-OPERATING REVENUES (EXPENSES):						
Interest income		1,921		264		2,185
Interest expense		(65,463)		(2,494)	l .	(67,957
Rental income		20,400		-		20,400
Other revenue		-		2,128		2,128
Total non-operating revenues (expenses)		(43,142)		(102)		(43,244

(continued)

## ALL PROPRIETARY FUND TYPES

## COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS, continued

	<u>PR</u>	<u>PROPRIETARY FUND TYPES</u> Internal			Totals (Memorandum	
	_ <u>E</u>	interprise	Service		Only)	
Net income (loss) before operating transfers		(39,957)	5,115		(34,842)	
OPERATING TRANFERS:						
Transfer from other funds		5,000	29,955		34,955	
Total operating transfers		5,000	29,955		34,955	
Net income (loss)		(34,957)	35,070		113	
Retained earnings, beginning of year		566,977	120,729		687,706	
Retained earnings, end of year	\$	532,020	\$ 155,799	\$	687,819	

## ALL PROPRIETARY FUND TYPES

## COMBINED STATEMENT OF CASH FLOWS

For the Year Ended February 29, 2004

	PROPRIETARY FUND TYPES			Totals		
		interprise		Internal Service	(Mei	norandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES:						
Operating income (loss) Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	\$	3,185	\$	5,217	\$	8,402
Depreciation		45,918		32,806		78,724
Change in operating assets and liabilities which (used) provided cash:						
Accounts receivable		(6,804)		-		(6,804)
Inventory		217 5,093		(170)		217 4,914
Accounts payable Accrued expenses payable		3,093 11,865		(179)		11,865
Net cash provided by (used for) from operating activities		59,474		37,844		97,318
		33,474		37,077		97,310
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:						
Operating transfers in (out)		5,000		-		5,000
Net cash provided by (used for) non-capital						
financing activities	-	5,000		**		5,000
CASH FLOWS FROM CAPITAL AND RELATED						
FINANCING ACTIVITIES: Acquisitions of fixed assets		(260,539)		(73,300)		(333,839)
Sale of assets		(200,337)		2,250		2,250
Proceeds of long-term debt		120,000		-,		120,000
Principal paid on long-term debt		(30,000)		(3,000)		(33,000)
Interest paid on long-term debt		(65,463)		(2,494)		(67,957)
Federal grants received		140,000		-		140,000
Collections of rent		20,400		-		20,400
Operating transfers in				29,955		29,955
Net cash provided by (used for ) capital and related financing activities		(75,602)		(46,589)		(122,191)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Receipt of interest		1,921		264		2,185
Net cash provided by (used for) investing activities		1,921		264		2,185
Net increase (decrease) in cash and equivalents		(9,207)		(8,481)		(17,688)
Cash and cash equivalents, balance, beginning of year		267,896		30,798		298,694
Cash and cash equivalents, end of year	\$	258,689	\$	22,317	\$	281,006

The accompanying notes are an integral part of this statement.

## NOTES TO FINANCIAL STATEMENTS

February 29, 2004

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Millington conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies.

#### **REPORTING ENTITY:**

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Village (the primary government) and its component unit. The component unit discussed below is included in the Village's reporting entity because of the significance of its operational or financial relationship with the Village.

#### **COMPONENT UNIT:**

The component unit columns in the combined financial statements include the financial data of the Downtown Development Authority which is a Village component unit. This unit is reported in a separate column (the discrete presentation method) to emphasize that it is legally separate from the Village. The members of the governing board of the Downtown Development Authority are appointed by the Village Council. The budgets and expenditures of the Downtown Development Authority must be approved by the Village Council. The Village also has the ability to significantly influence operations of the Downtown Development Authority. Complete separate financial statements of the Downtown Development Authority are not prepared.

### **BASIS OF PRESENTATION - FUND ACCOUNTING:**

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report, into five generic fund types and three broad fund categories as follows:

#### **Governmental Funds:**

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Project Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

## NOTES TO FINANCIAL STATEMENTS, continued

February 29, 2004

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

#### **Proprietary Funds:**

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control accountability, or other purposes.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village, or to other governments, on a cost-reimbursement basis.

#### **Account Group:**

General Long-Term Debt Account Group - This account group represents the balance of general obligation long-term debt which is not recorded in proprietary funds.

#### **BASIS OF ACCOUNTING:**

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting related to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Significant revenues susceptible to accrual include taxpayer-assessed income, state and federal sources, and intergovernmental revenues.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, provided the liability normally would be liquidated with expendable available financial resources. The major exception to this general rule is principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

All proprietary funds are accounted for on a cost of services or "economic resources" measurement focus. This means that all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total assets.

## NOTES TO FINANCIAL STATEMENTS, continued

February 29, 2004

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The modified accrual basis of accounting is followed for all funds except the enterprise (Sewer, Water and Industrial Development Funds) and internal service (Equipment Fund) funds, which use the accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recognized in the year in which they become available and measurable, and expenditures are recognized in the year in which the liability is incurred.

#### CASH, CASH EQUIVALENTS, AND INVESTMENTS:

Cash on hand, demand deposits, certificates of deposit, savings accounts, and all short-term investments that are highly liquid and have an original maturity of three months or less are considered to be cash equivalents. Investments, if any, are presented at fair value.

#### **RECEIVABLES:**

Receivables have been recognized for all significant amounts due to the Village. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amounts would be immaterial.

#### **INVENTORY:**

Inventory held by the Enterprise Funds are valued at cost on the first-in, first-out basis. Inventories of expendable supplies in other funds have not been recorded and the amount of any such inventories is not considered material. The cost of such inventories has been stated as an expenditure at the time of purchase.

### **DUE TO AND DUE FROM OTHER FUNDS:**

During the course of its operations, the Village has numerous transactions between funds and the component unit to finance operations, to provide services, construct assets and service debt. To the extent that certain transactions between funds and the component unit had not been paid or received as of fiscal year end, balances of interfund and component unit accounts receivable or payable have been recorded.

#### **FIXED ASSETS AND DEPRECIATION:**

Fixed assets in the enterprise and internal service funds are depreciated using the straight-line method over the estimated useful lives of the assets. Additions, improvements, and major replacements are capitalized at cost. Maintenance, repairs, and minor replacements are charged to expenses as incurred.

Purchases of fixed assets for all other funds are recorded as expenditures in their respective funds at the time of purchase. A General Fixed Assets Group of Accounts, which is required by generally accepted accounting principles, has not been established.

## NOTES TO FINANCIAL STATEMENTS, continued

February 29, 2004

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

#### **LONG-TERM DEBT:**

Long-term liabilities to be funded by governmental funds are reported in the General Long-Term Debt Account Group. Long-term debt obligations to be funded by proprietary funds are recorded as a liability in the respective fund.

### **FUND EQUITY:**

The unreserved undesignated fund balances for governmental funds represent the amount available for budgeting future operations. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distributions. Reserved fund balance for governmental funds represents that portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spending resources.

#### **PROPERTY TAXES:**

Village property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before September 14.

Real property taxes not collected as of October 1 are turned over to Tuscola County for collection, which advances the Village 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Village Treasurer. The assessed taxable value of real and personal property located in the Village at December 31, 2002 totaled \$17,735,722. The tax levy for 2003 was based on a millage rate of 12.156 for general operating purposes and 2.4679 for local roads.

#### **INTERFUND TRANSFERS:**

During the course of normal operations, the Village has numerous transactions between funds including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by Village management.

#### **BUDGETS AND BUDGETARY ACCOUNTING:**

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

- 1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Council for consideration.
- 2. The proposed budgets include expenditures as well as the methods of financing them.
- 3. Public hearings are held to obtain taxpayer comments.
- 4. The budgets are adopted by a majority vote of the Village Council.

## NOTES TO FINANCIAL STATEMENTS, continued

February 29, 2004

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

- 5. The budgets are adopted on the modified accrual basis of accounting.
- 6. The originally adopted budgets can be amended during the year only by a majority vote of the Village Council.
- 7. The adopted budgets are used as a management control device during the year for all budgetary
- 8. Budget appropriations lapse at the end of each fiscal year.
- 9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Village Council during the fiscal year.

## NOTE 2: EXCESSIVE OF EXPENDITURES OVER APPROPRIATIONS FOR **BUDGETARY FUNDS**

P.A. 621 of 1978, Section 18(1), as amended, provided that local unit shall not incur expenditures in excess of the amount appropriated. The Village adopted budgets on a basis consistent with generally accepted accounting principles (GAAP) for the General, Special Revenue, Debt Service Funds, and Capital Projects. The approved budgets of the Village were adopted to the activity level. Budgeted amounts are as originally adopted, or as amended by the Village Council.

During the year ended February 29, 2004, the Village did not incur expenditures in the Governmental Funds which were in excess of the amounts appropriated.

## NOTE 3: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Village's deposits at February 29, 2004 are included on the balance sheet under the following classifications:

	ash and Cash quivalents	Re	estricted Cash		Totals
ø	220 261	œ	92.760	¢	211 021

Deposits - Bank Investments - Bank Equiva 228,261 311,021 82,760 533,000 533,000 761,261 \$ 82,760 844,021

BALANCE SHEET CLASSIFICATION

## NOTES TO FINANCIAL STATEMENTS, continued

February 29, 2004

### NOTE 3: CASH AND CASH EQUIVALENTS AND INVESTMENTS, continued

#### **DEPOSITS:**

At February 29, 2004, the book value of the Village's deposits, consisting primarily of demand deposits, certificates of deposits and other cash equivalents, was \$311,021 with a corresponding bank balance of \$320,721. Village deposits are partially insured by the Federal Deposit Insurance Corporation. Of the bank's balance, approximately \$173,521 is insured (credit risk Category #1) and the remaining \$147,200 is uninsured and uncollateralized (credit risk Category #3).

The cash deposit balance of the component unit, Millington Downtown Development Authority, of \$28,400 is fully insured by the FDIC.

The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. In addition, the laws of the State of Michigan do not provide for collateralization of bank deposits. As a result, the Village evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those with an acceptable estimated risk level are used as depositories. The Village deposits are in accordance with statutory authority.

#### **INVESTMENTS:**

At February 29, 2004, the Village's investments consisted entirely of a Municipal Investment Account of \$533,000 held at National City Bank. This investment is uncategorized and stated at fair value. The Village's investments are in accordance with statutory authority.

## NOTE 4: INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund, Component/Primary Government receivables and payables are as follows:

	Interfund Receivable		Interfund Payable
General Fund	<u>\$ 1,000</u>	Industrial Development	<u>\$ 1,000</u>
	Due from Primary Government		Due to Component Unit
Component Unit: Downtown Development Authority	<u>\$ 12,166</u>	General fund	<u>\$ 12,166</u>

## NOTES TO FINANCIAL STATEMENTS, continued

February 29, 2004

## NOTE 5: FIXED ASSETS

A summary of proprietary fund type property, plant, and equipment at February 29, 2004 follows:

	 ewer Fund	Vater Fund	Deve	ustrial lopment fund	-	ipment Tund	Depreciable Life-Years
Land and Improvements	\$ -	\$ -	\$	50,649	\$		•
Plant and Lagoon	213,325	-		-		-	•
Water Tower, Pumps	-	320,087		-		-	25-50
Lines	772,274	1,559,180		-		-	28-30
Equipment	45,565	27,978		-		369,109	3-20
Vehicles	 <u>.</u>	 21,280		-		158,215	5
Total Fixed Assets Accumulated Depreciation	 1,031,164 (605,844)	 1,928,525 (373,560)		50,649 -		527,324 343,824	
Net Fixed Assets	\$ 425,320	\$ 1,554,965	\$	50,649	\$	183,500	· =
Depreciation expense for the year	\$ 23,125	\$ 22,793	\$	_	\$	32,806	-

## NOTES TO FINANCIAL STATEMENTS, continued

February 29, 2004

## NOTE 6: LONG-TERM DEBT

## PROPRIETARY FUNDS DEBT

Proprietary debt consists of the following:

	Balance 3/1/03	A	Idditions	Re	eductions	Balance 2/29/04
2002 Water Revenue Bonds The bonds bear an interest rate of 4.5% payable semi-annually in March and September each year through September 1, 2042	\$ 1,030,000	\$	120,000	\$	10,000	\$ 1,140,000
1988 Water Revenue Refunding Bonds The bonds bear interest at rates varying from 7.3% to 8.4% payable semi-annually in April and October each year through October 1, 2008.	160,000		-		20,000	140,000
2001 Installment Purchase Contract The contract is payable in annual installments of \$3,000 to \$5,000 at an interest rate of 4.75% on December 1 each year through 2016	52,500		<u>-</u>		3,000	49,500
Total proprietary funds debt	\$ 1,242,500	\$	120,000	\$	33,000	\$ 1,329,500

The annual requirements to pay all debt outstanding as of February 29, 2004, including interest payments of \$1,438,857 are as follows:

Fiscal Year Ended February	2002 Water Revenue Bonds		_	1988 Water Revenue Bonds	Pi	tallment urchase ontract	Total
2005 2006 2007 2008 2009	\$	65,150 64,628 65,105 64,535 64,965	\$	36,495 34,495 37,470 35,010 32,250	\$	5,351 5,209 5,066 4,924 4,781	\$ 106,996 104,332 107,641 104,469 101,996
2010 and thereafter	\$	2,200,726 2,525,109	\$	175,720	\$	42,197 67,528	\$ 2,242,923 2,768,357

## NOTES TO FINANCIAL STATEMENTS, continued

February 29, 2004

## NOTE 7: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

	Sewer Fund	Industrial Water Development Fund Fund		Total
Operating revenues	\$ 75,915	\$ 202,774	\$ 500	\$ 279,189
Depreciation expense	23,125	22,793		45,918
Operating income (loss)	(39,037)	48,390	(6,168)	3,185
Operating grants, entitlements, and shared revenues	_	-	-	-
Operating interfund transfers				
in (out)	-	-	5,000	5,000
Tax revenues	-	-	-	-
Net income (loss)	(37,921)	4,103	(6,139)	(39,957)
Current capital contributions	•	140,000	-	140,000
Property, plant, and				
equipment additions (deletions)	-	260,539	-	260,539
Net working capital	134,408	76,826	(651)	210,583
Total assets	568,211	1,702,255	50,998	2,321,464
Bonds and other long-term				
debt outstanding	-	1,280,000	-	1,280,000
Amounts of this debt payable				
solely from operating revenues	•	1,280,000	-	1,280,000
Total equity	559,728	387,791	49,998	997,517

## NOTES TO FINANCIAL STATEMENTS, continued

February 29, 2004

### NOTE 8: DEFINED BENEFIT PENSION PLANS

## 1. Michigan Municipal Employees Retirement System

### a) Plan Description

The Village contributes to the Michigan Municipal Employees' Retirement System, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for governmental units in the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postemployment adjustments to plan members and their beneficiaries.

All full-time employees are eligible to participate in the plan. Benefits vest after 10 years of service. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.0 percent times the final average compensation (FAC). The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2002.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 [MSA 5.333(a); MCLA 46.12 (a)], as amended, State of Michigan. MERS is regulated under Act No. 220 of the Public Acts of 1996, as amended, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

#### b) Funding Policy

The obligation to contribute and maintain the system for these employees was established by negotiation with the Village Council and personnel policy, which requires employees to contribute to the plan at either a rate of 3%, 5%, or 7.2% depending upon the individual's valuation division. The Village of Millington is required to contribute at actuarially determined rates; the current rates ranged from 1.72 to 9.01 percent of eligible payroll based on the December 31, 2001 valuation.

## NOTES TO FINANCIAL STATEMENTS, continued

February 29, 2004

### NOTE 8: DEFINED BENEFIT PENSION PLANS, continued

#### c) Annual Pension Cost

During the fiscal year ended December 31, 2003, the Village of Millington's contributions totaling \$9,361 were made in accordance with the contribution requirement determined by an actuarial valuation of the plan as of December 31, 2001. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

#### d) Three Year Trend Information

Year Ended February 28,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	\$ 9,361	100%	\$ 0
2003	26,664	100	0
2002	20,970	100	0

#### **NOTE 9: POST EMPLOYMENT BENEFITS**

The Village currently does not provide post employment benefits other than its pension plan.

#### **NOTE 10: RISK MANAGEMENT**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village manages its liability workers compensation and property risk, by participating in Michigan Municipal Liability and Property Pool, a public entity risk pool providing property and liability coverage to its participating members. The Village pays an annual premium for its insurance coverage. The Michigan Municipal Liability and Property Pool is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

## NOTES TO FINANCIAL STATEMENTS, continued

February 29, 2004

#### **NOTE 11: TOTAL - MEMORANDUM ONLY**

The combined financial statements of fund types and account groups present total columns for the year ended February 29, 2004, which aggregate the columnar statements by fund type and account group. These columns are presented only for comparative purposes and should not be construed as presenting consolidated financial information.

### **NOTE 12: RESERVES AND RESTRICTED ASSETS**

The ordinance authorizing issuance of the Water Revenue Bonds required that specific accounts be established and monies deposited as follows:

**Receiving Account** – All receipts are initially deposited into this account.

*Operation and Maintenance Account* – Transfers are to be made to cover upcoming operating expenses.

**Bond and Interest Redemption Account** – Monthly transfers are to be made equal to 1/12 of the next interest payment due plus 1/12 of the next principal payment due.

Water Bond Reserve Account – Annually \$6,583.50 is to be transferred to this account until \$65,385 is accumulated.

Repair, Replacement, and Improvement Fund – Annually \$10,450 is to be deposited into this account until the Bond Reserve Account is fully funded. From that time on, annual installments of \$17,033.50 are to be deposited for the life of the loan.

## NOTES TO FINANCIAL STATEMENTS, continued

February 29, 2004

#### NOTE 12: RESERVES AND RESTRICTED ASSETS

At February 29, 2004, the Village had established these accounts and had restricted cash, as required, as follows:

Amount

			<u>REQU</u>	JIREMENTS	S		R	Funded estricted Cash Balance
	Fe.	bruary 28 2003		dditions eductions)	F	Tebruary 2004	Febi	ruary 29, 2004
Bond and interest redemption fund	\$	25,832	\$	6,743	\$	32,575	\$	48,300
Bond reserve account		10,450		10,450		20,900		21,141
Repair, replacement, and improvement fund		6,584		6,583		13,167		13,319
	\$	42,866	\$	23,776	\$	66,642	\$	82,760

## NOTE 13: CONTINGENT LIABILITY/SETTLEMENT

In connection with a U.S. Department of Justice COPS Fast Grant in prior years, the Village had some program non-compliance issues. As a result, during the year, the Village was required to repay \$11,858 of grant funds to the U.S. Department of Justice.

### NOTE 14: RESTATED PRIOR YEAR FUND BALANCE

The Village has changed its policy regarding the recording of accounts receivable. The Village now recognizes the January and February Act 51 monies in the year earned rather than when received. The effect on the beginning fund balances follows:

	Major Streets	Local Streets
Fund balance previously stated, February 28, 2003	\$ 84,796	\$ 281,638
Prior period adjustment to recognize receivable from State of Michigan for January and February 2003		
motor vehicle highway funds	 13,873	4,363
Fund balance, as restated, February 28, 2003	\$ 98,699	\$ 286,001

St	UPPLEMENTAL DATA	

## GENERAL FUND

## STATEMENT OF REVENUES

REVENUES:	
Current Taxes:	
Property taxes	\$ 210,955
Penalties and interest on taxes	366
Property tax administration fee	2,752
	214,073
State Grants:	
Liquor license fees	1,253
State revenue sharing	128,534
•	129,787
Contribution from Other Units:	127,707
Contribution from Other Units – Downtown Development Authority	2,060
•	
Charges for Services:	267
Copies Police reports/services	627
Zoning/Variance application fees	110
Charges for services — other	309
Charges to other funds/departments	206,749
Charges to other fands departments	
	208,062
Fines and Forfeitures:	144
Ordinance fines	144
Interest and Rent:	
Interest earned	618
Rents	1,000
	1,618
Other Revenue:	
Sale of assets	500
Reimbursements	2,924
Miscellaneous/other	5,208
	8,632
Total revenues	\$ 564,376
1 Otal 10 volidos	φ 504,570

## GENERAL FUND

## STATEMENT OF EXPENDITURES AND OTHER FINANCING USES

For the Year Ended February 29, 2004

## **EXPENDITURES:**

Personnel         \$ 11,395           General Administrative:         11,395           Personnel         73,885           Fringe benefits         21,672           Supplies         1,957           Contracted services         3,103           Telephone         3,660           Mileage/auto         283           Dues and memberships         1,205           Education and training         127           Printing and publications         1,121           Insurance         3,568           Utilities         2,773           Repairs and maintenance         59           Other         4,579           Audit:         117,992           Audit:         1,934           Eversonnel         1,934           Building and Grounds:         218           Personnel         1,560           Fringe benefits         218           Supplies         684           Insurance         6,84           Unitariance         6,84           Insurance         6,21           Water hydrants         10,000           Repairs and maintenance         621           Other         14,606	Board/Council:	
General Administrative:       73,885         Personnel       21,672         Supplies       1,957         Contracted services       3,103         Telephone       3,660         Mileage/auto       283         Dues and memberships       1,205         Education and training       127         Printing and publications       1,121         Insurance       3,568         Utilities       2,773         Repairs and maintenance       59         Other       4,579         Audit:       117,992         Audit:       1,934         Environment       1,560         Fringe benefits       218         Supplies       684         Insurance       1,612         Water hydrants       10,000         Repairs and maintenance       621         Other       50	Personnel	\$ 11,395
General Administrative:       73,885         Personnel       21,672         Supplies       1,957         Contracted services       3,103         Telephone       3,660         Mileage/auto       283         Dues and memberships       1,205         Education and training       127         Printing and publications       1,121         Insurance       3,568         Utilities       2,773         Repairs and maintenance       59         Other       4,579         Audit:       117,992         Audit:       1,934         Environment       1,560         Fringe benefits       218         Supplies       684         Insurance       1,612         Water hydrants       10,000         Repairs and maintenance       621         Other       50		11,395
Personnel       73,885         Fringe benefits       21,672         Supplies       1,957         Contracted services       3,103         Telephone       3,660         Mileage/auto       283         Dues and memberships       1,205         Education and training       127         Printing and publications       1,121         Insurance       3,568         Utilities       2,773         Repairs and maintenance       59         Other       4,579         Audit:       117,992         Audit:       1,934         Contracted services       1,934         Building and Grounds:       1,560         Personnel       1,560         Fringe benefits       218         Supplies       684         Insurance       1,612         Water hydrants       10,000         Repairs and maintenance       621         Other       50          Cother       14,745		
Fringe benefits       21,672         Supplies       1,957         Contracted services       3,103         Telephone       3,660         Mileage/auto       283         Dues and memberships       1,205         Education and training       127         Printing and publications       1,121         Insurance       3,568         Utilities       2,773         Repairs and maintenance       59         Other       4,579         Audit:       117,992         Audit:       1,934         Contracted services       1,934         Building and Grounds:       1,560         Personnel       1,560         Fringe benefits       218         Supplies       684         Insurance       1,612         Water hydrants       10,000         Repairs and maintenance       621         Other       50	General Administrative:	
Supplies       1,957         Contracted services       3,103         Telephone       3,660         Mileage/auto       283         Dues and memberships       1,205         Education and training       127         Printing and publications       1,121         Insurance       3,568         Utilities       2,773         Repairs and maintenance       59         Other       4,579         Audit:       117,992         Audit:       1,934         Contracted services       1,934         Building and Grounds:       1,934         Personnel       1,560         Fringe benefits       218         Supplies       684         Insurance       1,612         Water hydrants       10,000         Repairs and maintenance       621         Other       50		73,885
Contracted services       3,103         Telephone       3,660         Mileage/auto       283         Dues and memberships       1,205         Education and training       127         Printing and publications       1,121         Insurance       3,568         Utilities       2,773         Repairs and maintenance       59         Other       4,579         Audit:       117,992         Audit:       1,934         Contracted services       1,934         Building and Grounds:       1,934         Personnel       1,560         Fringe benefits       218         Supplies       684         Insurance       1,612         Water hydrants       10,000         Repairs and maintenance       621         Other       50		
Telephone       3,660         Mileage/auto       283         Dues and memberships       1,205         Education and training       127         Printing and publications       1,121         Insurance       3,568         Utilities       2,773         Repairs and maintenance       59         Other       4,579         Audit:       117,992         Audit:       1,934         Contracted services       1,934         Building and Grounds:       1,560         Fringe benefits       218         Supplies       684         Insurance       1,612         Water hydrants       10,000         Repairs and maintenance       621         Other       50         14,745		
Mileage/auto       283         Dues and memberships       1,205         Education and training       127         Printing and publications       1,121         Insurance       3,568         Utilities       2,773         Repairs and maintenance       59         Other       4,579         Audit:       117,992         Audit:       1,934         Contracted services       1,934         Building and Grounds:       1,560         Fringe benefits       218         Supplies       684         Insurance       1,612         Water hydrants       10,000         Repairs and maintenance       621         Other       50         14,745		
Dues and memberships       1,205         Education and training       127         Printing and publications       1,121         Insurance       3,568         Utilities       2,773         Repairs and maintenance       59         Other       4,579         Audit:       117,992         Audit:       1,934         Contracted services       1,934         Building and Grounds:       1,560         Fringe benefits       218         Supplies       684         Insurance       1,612         Water hydrants       10,000         Repairs and maintenance       621         Other       50         14,745	•	
Education and training       127         Printing and publications       1,121         Insurance       3,568         Utilities       2,773         Repairs and maintenance       59         Other       4,579         Audit:       117,992         Contracted services       1,934         Building and Grounds:       1,934         Personnel       1,560         Fringe benefits       218         Supplies       684         Insurance       1,612         Water hydrants       10,000         Repairs and maintenance       621         Other       50         14,745		
Printing and publications       1,121         Insurance       3,568         Utilities       2,773         Repairs and maintenance       59         Other       4,579         Audit:       117,992         Contracted services       1,934         Building and Grounds:       1,934         Personnel       1,560         Fringe benefits       218         Supplies       684         Insurance       1,612         Water hydrants       10,000         Repairs and maintenance       621         Other       50         14,745		1,205
Insurance       3,568         Utilities       2,773         Repairs and maintenance       59         Other       4,579         Audit:         Contracted services       1,934         Building and Grounds:         Personnel       1,560         Fringe benefits       218         Supplies       684         Insurance       1,612         Water hydrants       10,000         Repairs and maintenance       621         Other       50	<u> </u>	
Utilities       2,773         Repairs and maintenance       59         Other       4,579         Audit:         Contracted services       1,934         Building and Grounds:         Personnel       1,560         Fringe benefits       218         Supplies       684         Insurance       1,612         Water hydrants       10,000         Repairs and maintenance       621         Other       50		
Repairs and maintenance       59         Other       4,579         Audit:         Contracted services       1,934         Building and Grounds:         Personnel       1,560         Fringe benefits       218         Supplies       684         Insurance       1,612         Water hydrants       10,000         Repairs and maintenance       621         Other       50		
Other       4,579         Audit:       1,934         Contracted services       1,934         Building and Grounds:       1,934         Personnel       1,560         Fringe benefits       218         Supplies       684         Insurance       1,612         Water hydrants       10,000         Repairs and maintenance       621         Other       50         14,745		
Audit:       1,934         Contracted services       1,934         Building and Grounds:       1,934         Personnel       1,560         Fringe benefits       218         Supplies       684         Insurance       1,612         Water hydrants       10,000         Repairs and maintenance       621         Other       50		
Audit:       1,934         Contracted services       1,934         Building and Grounds:       1,560         Personnel       1,560         Fringe benefits       218         Supplies       684         Insurance       1,612         Water hydrants       10,000         Repairs and maintenance       621         Other       50	Other	4,579
Audit:       1,934         Contracted services       1,934         Building and Grounds:       1,560         Personnel       1,560         Fringe benefits       218         Supplies       684         Insurance       1,612         Water hydrants       10,000         Repairs and maintenance       621         Other       50		117,992
Building and Grounds:       1,934         Personnel       1,560         Fringe benefits       218         Supplies       684         Insurance       1,612         Water hydrants       10,000         Repairs and maintenance       621         Other       50         14,745	Audit:	
Building and Grounds:       1,560         Personnel       218         Fringe benefits       684         Supplies       684         Insurance       1,612         Water hydrants       10,000         Repairs and maintenance       621         Other       50         14,745	Contracted services	1,934
Building and Grounds:       1,560         Personnel       218         Fringe benefits       684         Supplies       684         Insurance       1,612         Water hydrants       10,000         Repairs and maintenance       621         Other       50         14,745		1.934
Personnel       1,560         Fringe benefits       218         Supplies       684         Insurance       1,612         Water hydrants       10,000         Repairs and maintenance       621         Other       50         14,745	Ruilding and Grounds:	
Fringe benefits       218         Supplies       684         Insurance       1,612         Water hydrants       10,000         Repairs and maintenance       621         Other       50         14,745		1 560
Supplies       684         Insurance       1,612         Water hydrants       10,000         Repairs and maintenance       621         Other       50         14,745		
Insurance       1,612         Water hydrants       10,000         Repairs and maintenance       621         Other       50         14,745		
Water hydrants       10,000         Repairs and maintenance       621         Other       50         14,745		
Repairs and maintenance         621           Other         50           14,745		
Other5014,745		· ·
Total general government 146,066		14,745
	Total general government	146,066

## GENERAL FUND

## STATEMENT OF EXPENDITURES AND OTHER FINANCING USES, continued

For the Year Ended February 29, 2004

## **EXPENDITURES**, continued:

Public Safety:	
Police:	
Personnel	65,486
Fringe benefits	25,488
Supplies	3,268
Contracted services	7,861
Telephone	1,803
Mileage/auto	23
Education and training	117
Insurance	5,109
Utilities	1,260
Federal COPS grant repayment	11,858
Other	500
	122,773
Total public safety	122,773
Public Works:	
Department of Public Works:	
Personnel	141,693
Fringe benefits	55,751
Supplies	7,630
Contracted services	405
Telephone	939
Mileage/auto	19
Insurance	8,992
Utilities	4,158
Rental – equipment	2,289
Other	223
	222,099
Street Lighting:	
Utilities	20,651
Total public works	242,750

**EXPENDITURES**, continued:

**OTHER FINANCING USES:** 

Total expenditures and other financing uses

Transfers to other funds

## GENERAL FUND

## STATEMENT OF EXPENDITURES AND OTHER FINANCING USES, continued

For the Year Ended February 29, 2004

Recreation and Culture:	
Parks and Recreation: Contracted services	4,625
Total recreation and culture	4,625
Capital Outlay:	
General Government: Building and grounds	413
Total capital outlay	413
Total expenditures	516,627

5,000

521,627

## -25-

## SPECIAL REVENUE FUNDS

## **COMBINING BALANCE SHEET**

February 29, 2004

	 Major Streets Fund	Local Streets Fund	(	Garbage Fund	Totals		
ASSETS:							
Cash and equivalents	\$ 101,682	\$ 306,350	\$	13,866	\$	421,898	
Accounts receivable  Due from other governmental units	16,462	- 4,528		3,997 -		3,997 20,990	
Total assets	\$ 118,144	\$ 310,878	\$	17,863	\$	446,885	
LIABILITIES AND FUND EQUITY:  Liabilities:  Accounts payable	\$ 125	\$ -	\$	3,663	\$	3,788	
Total liabilities	125			3,663		3,788	
Fund Equity: Fund Balance:							
Unreserved – Undesignated	118,019	310,878		14,200		443,097	
Total fund equity	 118,019	310,878		14,200		443,097	
Total liabilities and fund equity	\$ 118,144	\$ 310,878	\$	17,863	\$	446,885	

## SPECIAL REVENUE FUNDS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

	 Major Streets Fund		Local Streets Fund	Garbage Fund	Totals	
REVENUES:						
Property taxes	\$ -	\$	45,296	\$ -	\$ 45,296	
Intergovernmental:						
State grants	64,098		24,301	-	88,399	
Contributions from County	8,388		16,746	<b>-</b>	25,134	
Charges for services	<u>-</u>		-	64,226	64,226	
Interest and rentals	 1,093		1,842	 159	3,094	
Total revenues	 73,579		88,185	 64,385	226,149	
EXPENDITURES:						
Public works	54,229		33,353	69,539	157,121	
Total expenditures	 54,229		33,353	69,539	157,121	
Excess of revenues over (under) expenditures	19,350		54,832	(5,154)	69,028	
OTHER FINANCING SOURCES (USES):						
Transfer of property tax revenue to Internal Service Fund for Vac-All Street Sweeper purchase	_		(29,955)	_	(29,955)	
· ·	 			 	 	
Total other financing sources (uses)	 <u>-</u>	<del></del>	(29,955)	 <u> </u>	(29,955)	
Excess of revenues and other financing sources over (under) expenditures and	10.250		24,877	(5,154)	39,073	
other financing uses	19,350		· ·		·	
Fund balances, beginning of year - restated	 98,669		286,001	 19,354	 404,024	
Fund balances, end of year	\$ 118,019	\$	310,878	\$ 14,200	\$ 443,097	

## ENTERPRISE FUNDS

## **COMBINING BALANCE SHEET**

February 29, 2004

	Sewer Fund			Water Fund	idustrial velopment Fund	Totals		
ASSETS:	_				 			
Current Assets:  Cash and equivalents Accounts receivable Inventory	\$	135,615 5,553 1,723	\$	39,965 13,248 11,317	\$ 349 - -	\$	175,929 18,801 13,040	
Total current assets		142,891		64,530	349		207,770	
Restricted Assets:  Cash and equivalents		_		82,760	 		82,760	
Total restricted assets		-		82,760	 -		82,760	
Property, Plant, and Equipment: Property, plant, and equipment, at cost Less: accumulated depreciation		1,031,164 (605,844)		1,928,525 (373,560)	 50,649		3,010,338 (979,404)	
Net property, plant, and equipment		425,320		1,554,965	 50,649		2,030,934	
Total assets	\$	568,211	\$	1,702,255	\$ 50,998	\$	2,321,464	
LIABILITIES & FUND EQUITY:								
Current Liabilities: Accounts payable Accrued expenses Due to other funds Current portion of long-term debt	\$	8,483	\$	2,599 31,865 - 36,000	\$ 1,000	\$	11,082 31,865 1,000 36,000	
Total current liabilities		8,483		70,464	 1,000		79,947	
Long-Term Liabilities: Revenue bonds payable		-		1,244,000	 		1,244,000	
Total long-term liabilities				1,244,000	 		1,244,000	
Total liabilities		8,483		1,314,464	 1,000		1,323,947	
Fund Equity: Contributed capital Retained Earnings:		293,955		171,542	-		465,497	
Reserved		-		82,760	-		82,760	
Unreserved – Undesignated		265,773		133,489	 49,998		449,260	
Total fund equity		559,728		387,791	 49,998		997,517	
Total liabilities and fund equity	\$	568,211	\$	1,702,255	\$ 50,998	\$	2,321,464	

## ENTERPRISE FUNDS

## COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

	Sewer Fund			Water Fund	Dev	Industrial Development Fund		Totals
OPERATING REVENUES:	•	74 021	æ	100 212	e		\$	272 042
Charges for services Penalties	\$	74,831 1,084	\$	198,212 3,623	\$	-	Ф	273,043 4,707
Other		1,004		939		500		1,439
Total revenues		75,915		202,774		500		279,189
OPERATING EXPENSES:								
Personnel		38,924		54,726		-		93,650
Fringe benefits		16,258		19,967		-		36,225
Supplies		8,598		16,139		<del>-</del>		24,737
Contracted and professional services		11,293		14,650		6,668		32,611
Telephone		-		120		-		120
Mileage/auto		66		234		-		300 175
Dues and memberships		175		808		-		853
Education and training		45 265		501		_		766
Printing and publications		203 11		301		_		11
Repair and maintenance		1,991		7,618		_		9,609
Insurance Utilities		2,616		8,164		-		10,780
Equipment rental		11,585		8,256		•		19,841
Other expenses		-		408		_		408
Depreciation		23,125		22,793		-		45,918
Total expenses		114,952		154,384		6,668		276,004
Operating income (loss)		(39,037)		48,390		(6,168)		3,185
NON-OPERATING REVENUES (EXPENSI	ES):							
Interest income		1,116		776		29		1,921
Interest expense		-		(65,463)		-		(65,463)
Rental income		-		20,400		-		20,400
Total non-operating revenues (expenses)		1,116		(44,287)	un :	29		(43,142)
Net income (loss) before operating transfers		(37,921)		4,103	<del></del>	(6,139)		(39,957)
OPERATING TRANSFERS:								5.000
Transfer from other funds				-		5,000		5,000
Total operating transfers		-		•	· · · · · · · · · · · · · · · · · · ·	5,000		5,000
Net income (loss)		(37,921)		4,103		(1,139)		(34,957)
Retained earnings, beginning of year		303,694		212,146		51,137		566,977
Retained earnings, end of year	\$	265,773	\$	216,249	\$	49,998	\$	532,020

## ENTERPRISE FUNDS

## COMBINING STATEMENT OF CASH FLOWS

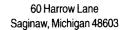
		Sewer Fund		Water Fund		Industrial Development Fund		Total
CASH FLOWS FROM OPERATING ACTIVITIES:								
Operating income (loss) Adjustments to reconcile operating income (loss) to	\$	(39,037)	\$	48,390	\$	(6,168)	\$	3,185
net cash provided by (used in) operating activities: Depreciation Change in operating assets and liabilities which		23,125		22,793		•		45,918
(used) provided cash: Accounts receivable		(2,356)		(4,448)		-		(6,804)
Inventory		159		58				217
Accounts payable Accrued interest payable		8,257 -		(3,164) 11,865		-		5,093 11,865
Net cash provided by (used for) from operating activities		(9,852)		75,494		(6,168)		59,474
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:								
Operating transfers in		-		-		5,000		5,000
Net cash provided by (used for) non-capital financing activities		-		_		5,000		5,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Acquisition of fixed assets		-		(260,539)		-		(260,539)
Proceeds of bond issue		-		120,000		-		120,000
Principal paid on long-term debt		•		(30,000)		-		(30,000)
Interest paid on long-term debt		-		(65,463)		-		(65,463) 140,000
Federal grants received		-		140,000 20,400		-		20,400
Collections of rent  Net cash provided by (used for) capital and related financing activities				(75,602)		-		(75,602)
related financing activities				(73,002)				( , , , , , , , , , , , , , , , , , , ,
CASH FLOWS FROM INVESTING ACTIVITIES:								
Receipt of interest		1,116		776		29		1,921
Net cash provided by (used for) investing activities	_	1,116		776		29		1,921
Net increase (decrease) in cash and equivalents		(8,736)		668		(1,139)		(9,207)
Cash and cash equivalents, beginning of year		144,351		122,057		1,488		267,896
Cash and cash equivalents, end of year	\$	135,615	\$	122,725	\$	349	\$	258,689

## REQUIRED SUPPLEMENTAL INFORMATION PENSION SYSTEM SCHEDULE OF FUNDING PROGRESS

February 29, 2004

## The schedule of funding progress is as follows:

Actuarial Valuation Date	Actue Valu Ass	e of	e of Liability AAL Funded tts (AAL) (UAAL) Ratio  b b-a a/b		rial Accrued Underfunded of Liability AAL Funded Covered				UAAL as a Percent of Covered Payroll	
	a	1		b		b-a	a/b	c	(b-a)/c	
12/31/02 12/31/01 12/31/00 12/31/99 12/31/98 12/31/97	8 7 62 5	95,823 15,221 19,120 22,279 11,692 17,202	\$	1,044,114 895,352 811,059 690,623 609,341 530,886	\$	148,291 80,131 91,939 68,344 97,649 113,684	85.79% 91.05 88.66 90.10 83.97 78.59	\$ 318,008 297,303 283,824 281,769 260,769 276,301	46.63% 26.95 32.39 24.26 37.44 41.14	



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## MANAGEMENT LETTER

To the Village Council Village of Millington Tuscola County, Michigan

We have completed our audit of the financial statements of the Village of Millington for the year ended February 29, 2004, and have issued our report thereon dated April 20, 2004. As part of our examination, we made a study and evaluation of the Village's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Village's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Village's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

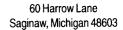
Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Village of Millington taken as a whole. Our study and evaluation disclosed no condition that we believe to be a material weakness.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our examination.

Berthiaume & Company Certified Public Accountants

Bethroume & Co.

April 20, 2004



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# Certified Public Accountants COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Village Council Village of Millington Tuscola County, Michigan

**BERTHIAUME** 

& COMPANY

We have audited the financial statements of the Village of Millington as of and for the year ended February 29, 2004, and have issued our report thereon dated April 20, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Millington's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, federal awarding agencies, and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Berthiaume & Company Certified Public Accountants

Berthaumer & Co-

April 20, 2004